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Role of gig economy in employment generation: A study

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Abstract

The gig economy in India is rapidly expanding, potentially creating over 90 million jobs in the next decade across various sectors. This flexible employment model allows gig workers to engage in short-term, freelance, or project-based work without fixed long-term contracts. Despite challenges such as data gaps and methodological issues, studies suggest that the gig economy could contribute significantly to India's GDP. Urban areas serve as hubs for gig work, enabled by information technology and agglomeration economies. The gig workforce has grown substantially, with estimates indicating around 68 lakh gig workers in 2019-20. While gig work offers flexibility, policymakers must address issues like job insecurity and lack of benefits to ensure fair labor practices and social protection. Overall, the gig economy plays a vital role in workforce diversity and economic growth in India.

Keywords: Gig economy, gig workers and employment generation

Introduction

The gig economy in India is growing rapidly and could create over 90 million jobs in the next decade, mainly in sectors like construction, manufacturing, retail, and transportation. However, other industries are also adopting flexible hiring options as the gig economy expands. A gig worker is a person who performs short-term, flexible, or freelance work for a client or a platform, without a fixed or long-term employment contract. Gig workers can choose when, where, and how much they work, and they are paid based on the tasks or projects they complete. Some examples of gig workers are drivers, delivery workers, tutors, graphic designers, writers, etc. The gig economy in India is hard to measure due to data gaps and methodological issues. However, some studies suggest that it could grow to 90 million jobs and 1.25% of GDP in the next decade, with 24 million jobs becoming technology-based. The authors review some literature on gig work estimations and structures in India and other countries. Gig work is mostly found in urban areas where there are more opportunities and lower search costs for jobs. Information technology has enabled gig work to expand beyond the local, but it still depends on agglomeration economies. The authors use the top 100 cities in India as a proxy for gig work locations, based on census and survey data. There are 21 occupations that are likely to have gig workers, based on the National Classification of Occupation 2004 and the literature. They also mention some industries that have a high concentration or potential of gig work, based on the National Industrial Classification. In this view the present study aims to know the role of Gig Economy in Employment Generation

Methodology

The present study is purely a review article on Gig Economy in Employment Generation so it gathered secondary data from the various sources like government and non-government websites, reports and also from different journals, magazines, newspapers etc. The gathered data is analyzed and interpreted through the researcher personal interaction with gig workers and observation in the study area.

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Results and Discussion

Table 1: Estimated Output and Employment levels and growth 2011-12 to 2019-20

	Employment (in crores)	Output (in crores)	Per worker output
2011-12	47	87,36,328	1,85,904
2017-18	46	1,31,44,582	2,88,863
2018-19	47	1,40,03,316	2,99,551
2019-20	51	1,45,69,267	2,85,101

Source: Niti Aayog

From 2011-12 to 2017-18, employment declined by 0.54% per year, while output increased by 7.05% per year, indicating jobless growth. After 2017-18, employment grew rapidly, but output growth fell below 7% per year. The employment elasticity was 1.13 from 2017-18 to 2019-20, showing strong employment-output linkages, unlike the jobless growth phase from 2011-12 to 2017-18.

Table 2: Employment Growth and Elasticity

Growth rates (Annual)	Employment	Output	Employment Elasticity
2011-12 to 2017-18	-0.54	7.05	-0.076
2017-18 to 2018-19	2.73	6.53	0.418
2018-19 to 2019-20	9.31	4.04	2.305
2017-18 to 2019-20	5.97	5.28	1.131

Source: Niti Aayog

The above table represents the annual growth rates of employment, output, and employment elasticity for India in different periods. It shows that from 2011-12 to 2017-18, employment declined and output increased, resulting in a negative employment elasticity, which indicates jobless growth. From 2017-18 to 2018-19, both employment and output increased, with a positive employment elasticity of

0.418, which indicates some employment-output linkages. From 2018-19 to 2019-20, employment increased sharply and output increased moderately, resulting in a very high employment elasticity of 2.305, which indicates strong employment-output linkages. From 2017-18 to 2019-20, the average employment elasticity was 1.131, which shows robust employment growth with output growth, compared to the previous period of jobless growth.

Table 3: Projected GDP Growth, Employment Growth for 2021 to 2030

	Employment Growth	GDP Growth
2011-12 to 2017-18	-0.535	7.046
2017-18 to 2019-20	5.972	5.280
2019-20 to 2024-25	1.092	3.692
2024-25 to 2029-30	1.092	7.000

Source: Niti Aayog

The projections suggest that employment and GDP will grow significantly by 2030. Employment may rise from 46.9 crores in 2011-12 to 56.9 crores in 2030, while GDP may grow from INR 87 lakh crores in 2011-12 to INR 244 lakh crores in 2029-30.

Table 4: Projected GDP and Employment Levels for 2021 to 2030

	Employment (Crores)	GDP (Crores)
2023-24	53.37	16322349
2024-25	53.95	17464914
2025-26	54.54	18687458
2026-27	55.14	19995580
2027-28	55.74	21395271
2028-29	56.35	22892939
2029-30	56.96	24495445

Source: Niti Aayog

The table 4 shows the projected employment and GDP levels for India from 2023-24 to 2029-30. It shows that both employment and GDP are expected to increase steadily over the years, with an average annual growth rate of 1.1% for employment and 6.8% for GDP. The table also implies that the employment elasticity, which is the ratio of employment growth to output growth, is around 0.16, which means that for every 1% increase in GDP, employment increases by 0.16%. This suggests that the employment-output linkages are weak and that the economy is not generating enough jobs for its growing population.

Estimate of Gig Workers

Using both principal and subsidiary status, the number of gig workers in India was estimated at 68 lakh in 2019-20, up from 25 lakh in 2011-12. Most of them (67 lakh) were in the usual principal status, meaning they did gig work for most of the year, compared to 24.5 lakh in 2011-12. A small

fraction (1.1 lakh) was in the usual subsidiary status, meaning they did gig work for a shorter part of the year, up from 0.7 lakh in 2011-12. These estimates may be inflated, as some workers with gig worker like characteristics may not be doing gig work.

Table 5: Estimated Number of Gig Workers in Lakhs

	No. of Gig workers (UPS)	No. of Gig workers (USS)	No. of Gig workers (UPSS)
2011-12	24.5	0.7	25.2
2017-18	52.1	0.5	52.6
2018-19	53.4	0.5	53.9
2019-20	67.0	1.1	68.0

Source: Niti Aayog

The above table that shows the number of gig workers in India, in lakhs, based on usual principal status (UPS), usual subsidiary status (USS), and both (UPSS), from 2011-12 to

2019-20. It shows that the number of gig workers increased steadily over the years, with a sharp rise in 2019-20. Most of the gig workers were in the UPS category, meaning they did gig work for most of the year, and their number increased from 24.5 lakh to 67 lakh. The number of gig workers in the USS category, meaning they did gig work for a shorter part of the year, remained low and increased slightly from 0.7 lakh to 1.1 lakh. The total number of gig workers (UPSS) increased from 25.2 lakh to 68 lakh.

Table 6: Gig Workers as a Share of Total Workforce 2011-12 to 2019-20

	No. of Gig workers (UPS)	No. of Gig workers (USS)	No. of Gig workers (UPSS)
2011-12	0.57	0.18	0.54
2017-18	1.18	0.40	1.16
2018-19	1.18	0.28	1.15
2019-20	1.37	0.49	1.33

Source: Niti Aayog

The gig economy workforce has experienced significant growth over the years. In the urban primary sector (UPS), the number of gig workers increased from 0.57 in 2011-12 to 1.37 in 2019-20. Similarly, the urban secondary sector (USS) saw an increase from 0.18 to 0.49 during the same period. Meanwhile, the urban tertiary sector (UPSS) witnessed growth from 0.54 to 1.33 gig workers. These figures highlight the evolving landscape of flexible employment arrangements and the importance of gig work in urban areas.

Key Findings

- 1. Jobless Growth in Early Years:** From 2011-12 to 2017-18, employment declined by an average of 0.54% annually, despite a 7.05% annual increase in output, indicating a phase of jobless growth where economic expansion did not translate into job creation.
- 2. Improved Employment Elasticity in Recent Years:** Between 2017-18 and 2019-20, employment grew at an average rate of 5.97% annually, while output increased by 5.28%. The employment elasticity during this period was 1.131, indicating a strong positive relationship between employment and output growth.
- 3. Weak Employment-Output Linkages Projected (2021-2030):** Projections for 2021 to 2030 show an average employment growth of 1.1% annually and GDP growth of around 6.8% annually. The implied employment elasticity of 0.16 suggests weak employment generation relative to output growth, indicating that economic growth may not be sufficient to absorb the growing workforce.
- 4. Steady Growth of the Gig Economy Workforce:** The number of gig workers increased from 25.2 lakh in 2011-12 to 68 lakh in 2019-20. Most gig workers were in the usual principal status (UPS), with a significant increase from 24.5 lakh to 67 lakh, indicating that gig work has become a primary source of employment for many.
- 5. Rising Share of Gig Workers in the Workforce:** Gig workers as a percentage of the total workforce grew from 0.54% in 2011-12 to 1.33% in 2019-20. This indicates that the gig economy is becoming a more prominent contributor to overall employment, especially in urban areas.

Suggestions

- 1. Promote Job-Intensive Sectors:** Encourage investment in labour-intensive industries and sectors that can generate a higher number of jobs relative to economic growth, thereby improving employment elasticity.
- 2. Support and Regulate the Gig Economy:** Introduce policies to ensure fair wages, social security benefits, and job stability for gig workers, while also promoting flexible employment opportunities in urban and rural areas.
- 3. Enhance Workforce Skill Development:** Implement targeted skill development programs focusing on digital and technical skills to make the workforce more adaptable to gig and traditional employment opportunities.
- 4. Encourage Entrepreneurship and Startups:** Provide incentives for startups and MSMEs (Micro, Small, and Medium Enterprises), which are significant contributors to employment, to foster innovation and job creation.
- 5. Strengthen Data Collection on Employment:** Establish robust mechanisms for the periodic collection and analysis of employment data, particularly gig and informal workers, to better inform policy decisions aimed at addressing jobless growth.

Conclusion

The gig economy played a significant role in employment generation by providing flexible work opportunities to individuals in India. As traditional job structures evolve, gig work allows people to participate in short-term projects, freelance assignments and on-demand tasks. This flexibility benefits both workers and employers. Gig workers can choose when and how much they work, while businesses can tap into specialized skills without committing to long-term contracts. However, challenges such as job insecurity and lack of benefits persist. Overall, the gig economy contributes to workforce diversity and economic growth, but policymakers must address its complexities to ensure fair labor practices and social protection.

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